

GREEN HILLS AEA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2016

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GREEN HILLS AEA

OFFICIALS
June 30, 2016

| <i>NAME</i> | <i>TITLE</i> | <i>TERM EXPIRES</i> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

Board of Directors

| | | |
|------------------------|------------------|------|
| Raymond Storm | Member | 2016 |
| Julie Wilken | Member | 2017 |
| Karen Thomsen | Member | 2016 |
| Richard Schenck | Member | 2017 |
| Jere Ann (Jake) Powers | Chairperson | 2016 |
| Ed Gambs | Member | 2016 |
| Marland Gammon | Member | 2016 |
| Randy Brown | Member | 2017 |
| Kenneth Lee | Vice Chairperson | 2017 |

Agency

| | | |
|--------------|--|------------|
| Lane Plugge | Administrator | Indefinite |
| Linda Perdue | Board Secretary/ Administrative Assistant | Indefinite |
| Emily Nelson | Board Treasurer/Director, Finance | Indefinite |

GREEN HILLS AEA

AREA SERVED

June 30, 2016

| <i>COUNTY</i> | <i>COMMUNITY SCHOOL DISTRICT</i> | <i>INDEPENDENT SCHOOL</i> |
|---------------|--|-------------------------------|
| Adair | Nodaway Valley Orient-Macksburg | |
| Adams | Corning Prescott | |
| Cass | Atlantic CAM Griswold | |
| Clarke | Clarke Murray | |
| Crawford | IKM – Manning | |
| Decatur | Central Decatur Lamoni | |
| Fremont | Farragut Fremont-Mills Hamburg Sidney | |
| Harrison | Boyer Valley Logan-Magnolia Missouri Valley West Harrison Woodbine | |
| Mills | Glenwood East Mills | |
| Montgomery | Red Oak Stanton Villisca | |

GREEN HILLS AEA

AREA SERVED (Continued)
June 30, 2016

| <i>COUNTY</i> | <i>COMMUNITY SCHOOL DISTRICT</i> | <i>INDEPENDENT SCHOOL</i> |
|---------------|---|--|
| Page | Clarinda Essex Shenandoah South Page | Clarinda Lutheran Schools |
| Pottawattamie | A-H-S-T Council Bluffs Lewis Central Riverside Treydor Tri-Center Underwood Walnut | Heartland Christian School Council Bluffs Catholic Schools |
| Ringgold | Diagonal Mount Ayr | |
| Shelby | Harlan | Shelby County Catholic School |
| Taylor | Bedford Lenox | |
| Union | Creston East Union | Creston Catholic School |
| Wayne | Mormon Trail | |



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Green Hills AEA
Council Bluffs, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Hills AEA (the “Agency”) as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Agency’s basic financial statements listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Green Hills AEA as of June 30, 2016, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 12 and 34 through 39 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Green Hills AEA's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2016 on our consideration of Green Hills AEA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Green Hills AEA's internal control over financial reporting and compliance.

Schnur & Company, LLP

Fort Dodge, Iowa
November 11, 2016

GREEN HILLS AEA

GREEN HILLS AEA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Green Hills AEA (the "Agency") provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues were \$29,853,088 and Other Financing Sources were \$313,240 in fiscal year 2016 while General Fund expenditures were \$29,519,291 and other financing uses were \$53,835. This resulted in an increase of \$593,202 in the Agency's General Fund balance.
- Special Education, Media Services and Educational Services all saw an increase in fund balance.
- The General Fund balance increased primarily due to the sale of the Peterson Regional Office and because revenue exceeded expenditures in Media Services and Educational Services.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Agency as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide financial statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE AGENCY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Agency's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net position and how it has changed. Net position is one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position is an indicator of whether financial position is improving or deteriorating. To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the government-wide financial statements, the Agency's activities are all in governmental activities:

- *Governmental activities:* All of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Property tax passed through local schools, federal and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show it is properly using certain revenues, such as federal grants.

The Agency has a governmental fund:

- *Governmental Funds* account for all of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include 1) the General Fund, 2) the Special Revenue Fund, and 3) the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Reconciliation between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The Agency's net position at the end of fiscal year 2016 totaled approximately (\$7.4) million compared to approximately (\$8.2) million at the end of fiscal year 2015. The analysis that follows focuses on the net position and changes in net position. The Agency's total net position increased 9.3%, or approximately \$764,000, from fiscal year 2015. The increase in both the unrestricted net position and total net position occurred primarily due to the reduction of the Agency's deferred inflow of resources related to the IPERS (Iowa Public Employees Retirement System) pension program and because revenue exceeded expenditures.

| | Condensed Statement of Net Position (Expressed in Thousands) Governmental Activities | |
|----------------------------------|---|-------------------|
| | 2016 | 2015 |
| Current and other assets | \$ 7,122 | \$ 6,409 |
| Capital assets | 1,617 | 1,976 |
| Total assets | 8,739 | 8,385 |
| Deferred outflows of resources | 2,021 | 2,057 |
| Long-term obligations | 13,256 | 11,286 |
| Other liabilities | 3,526 | 3,406 |
| Total liabilities | 16,782 | 14,692 |
| Deferred inflows of resources | 1,392 | 3,928 |
| Net position: | | |
| Net investment in capital assets | 1,617 | 1,976 |
| Restricted | 362 | 320 |
| Unrestricted | (9,393) | (10,474) |
| Total net position | \$ (7,414) | \$ (8,178) |

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following analysis details the changes in net position resulting from the Agency's activities.

| | Changes in Net Position (Expressed in Thousands) | |
|--------------------------------------|---|-------------------|
| | Governmental Activities | |
| | 2016 | 2015 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 1,361 | \$ 1,369 |
| Operating grants and contributions | 14,132 | 14,201 |
| General revenues: | | |
| Property taxes | 7,122 | 7,019 |
| State foundation aid | 7,664 | 7,538 |
| Juvenile home reimbursement | 463 | 410 |
| Unrestricted investment earnings | 6 | 1 |
| Total revenues | 30,748 | 30,538 |
| Program expenses: | | |
| Instruction | 2,844 | 2,825 |
| Student support services | 13,749 | 13,696 |
| Instructional staff support services | 5,321 | 5,474 |
| General administration | 3,099 | 2,821 |
| Business administration | 642 | 631 |
| Plant operations and maintenance | 890 | 1,017 |
| Central and other support services | 1,527 | 1,720 |
| Community service | 69 | 98 |
| Pass through to LEAs | 1,843 | 1,875 |
| Total program expenses | 29,984 | 30,157 |
| Increase in net position | 764 | 381 |
| Net position beginning of year | (8,178) | (8,559) |
| Net position end of year | <u>\$ (7,414)</u> | <u>\$ (8,178)</u> |

Operating grants and contributions from local, state and federal sources account for 46.0% of the total governmental activities revenue while general revenues account for 49.6% of the total revenue. The Agency's expenses primarily relate to instruction, support services, and funds passed through to LEAs, which account for 79.2% of total expenses.

Governmental Activities

Revenues for governmental activities were \$30,747,949 and expenses were \$29,984,825. Net position increased \$763,124.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$3,596,322, or \$593,202 above last year's ending fund balance of \$3,003,120. The primary reason revenue exceeded expenditures was due to the sale of the Peterson Regional Office and less expenditures than revenue in Media Services and Educational Services.

Governmental Fund Highlights

- The Agency's increasing General Fund financial position is due to revenues exceeding expenditures in Media Services and Educational Services and the sale of the Peterson Regional Office.

BUDGETARY HIGHLIGHTS

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget once to reflect additional revenue and expenditures associated with new grants and other information such as salary increases for staff, which were not available when the original budget was adopted. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the Agency had invested \$1,616,895, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, a media collection, vehicles and equipment. This is a net decrease of \$359,008 from last year. This decrease was primarily due to deletion of capital assets and depreciation.

The Agency had depreciation expense of \$494,000 in the fiscal year ending June 30, 2016. Detailed information about capital assets is available in Note 4 to the financial statements.

Long-term Debt

At June 30, 2016, the Agency had \$13,255,812 of long-term debt outstanding, compared to \$11,285,849 at June 30, 2015. The increase was due primarily to the increase of the Agency's share of the net pension liability for the IPERS pension program. More detailed information about the Agency's long-term liabilities is presented in Note 5 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the Agency was aware of several existing circumstances that could significantly affect its financial health in the future:

- While the Agency had a slight increase in enrollment this past year, that is not expected to continue. The trend has generally been downward, and decreased enrollment means decreased funding from the State.
- The Iowa Legislature cut state aid to area education agencies by \$15,000,000 in 2015/16 and increased that cut to \$18,750,000 in 2016/17. This means the Agency is short approximately \$1,600,000 of special education funding. The level of funding from the 2017 Legislature remains uncertain. The loss of state aid funding has created a shortfall in the special education program that the Agency will monitor and take action as necessary to maintain financial health.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Green Hills AEA, P O Box 1109, Council Bluffs, Iowa 51502.

BASIC FINANCIAL STATEMENTS

GREEN HILLS AEA

GREEN HILLS AEA**Exhibit A****STATEMENT OF NET POSITION****June 30, 2016**

| | Total Governmental Activities |
|---|--|
| Assets | |
| Cash and pooled investments | \$ 5,497,007 |
| Receivables: | |
| Accounts | 65,899 |
| State aid | 174,288 |
| Federal | 801,186 |
| Other | 417,049 |
| Due from Fiduciary Fund | 71,840 |
| Prepaid expenses | 59,131 |
| Inventories | 36,090 |
| Capital assets, net of accumulated depreciation | 1,616,895 |
| Total assets | 8,739,385 |
| Deferred Outflows of Resources | |
| Pension related deferred outflows | 2,020,567 |
| Liabilities | |
| Accounts payable | 973,187 |
| Advances from grantors | 6,978 |
| Accrued payroll | 2,342,434 |
| Accrued compensated absences | 128,234 |
| Deposits held in custody for others | 75,335 |
| Long-term liabilities: | |
| Portion due or payable after one year: | |
| Net pension liability | 12,098,812 |
| Net OPEB liability | 1,157,000 |
| Total liabilities | 16,781,980 |
| Deferred Inflows of Resources | |
| Pension related deferred inflows | 1,392,426 |
| Net Position | |
| Net investment in capital assets | 1,616,895 |
| Restricted for: | |
| Special education instruction | 59,836 |
| Categorical aid carryover | 302,383 |
| Unrestricted | (9,393,568) |
| Total net position | \$ (7,414,454) |

See Notes to Financial Statements.

GREEN HILLS AEA**STATEMENT OF ACTIVITIES****Year Ended June 30, 2016**

| | | Program Revenues | |
|--|----------------------|-------------------------|----------------------|
| | | Charges for | Operating |
| | Expenses | Service | Grants and |
| | | | Contributions |
| Functions/Programs: | | | |
| Governmental Activities: | | | |
| Instruction | \$ 2,844,389 | \$ 88,396 | \$ 1,421,932 |
| Student support services | 13,748,916 | 700,658 | 8,762,443 |
| Instructional staff support services | 5,320,811 | 267,048 | 1,581,934 |
| General administration | 3,099,657 | - | 107,741 |
| Business administration | 642,087 | 42,588 | - |
| Plant operations and maintenance | 890,042 | - | - |
| Central and other support services | 1,527,065 | 261,912 | 340,477 |
| Community service | 68,932 | - | 74,658 |
| Pass through to LEAs | 1,842,926 | - | 1,842,926 |
| | | | |
| Total governmental activities | \$ 29,984,825 | \$ 1,360,602 | \$ 14,132,111 |
| General Revenues: | | | |
| Property taxes levied for general purposes | | | |
| State foundation aid | | | |
| Juvenile home reimbursement | | | |
| Unrestricted investment earnings | | | . |
| Total general revenues | | | . |
| Change in net position | | | |
| Net position beginning of year | | | . |
| Net position end of year | | | . |
| See Notes to Financial Statements. | | | |

Exhibit B

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|--------------|--------------|--------------|
| Governmental Activities | | Total | |
| \$ | (1,334,061) | \$ | (1,334,061) |
| | (4,285,815) | | (4,285,815) |
| | (3,471,829) | | (3,471,829) |
| | (2,991,916) | | (2,991,916) |
| | (599,499) | | (599,499) |
| | (890,042) | | (890,042) |
| | (924,676) | | (924,676) |
| | 5,726 | | 5,726 |
| | - | | - |
| | (14,492,112) | | (14,492,112) |
| | 7,121,933 | | 7,121,933 |
| | 7,664,419 | | 7,664,419 |
| | 462,624 | | 462,624 |
| | 6,260 | | 6,260 |
| | 15,255,236 | | 15,255,236 |
| | 763,124 | | 763,124 |
| | (8,177,578) | | (8,177,578) |
| \$ | (7,414,454) | \$ | (7,414,454) |

GREEN HILLS AEA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

| | General | Special Revenue | Capital Projects | Total |
|-----------------------------|---------------------|----------------------------|-----------------------------|---------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 5,497,007 | \$ - | \$ - | \$ 5,497,007 |
| Receivables: | | | | |
| Accounts | 6,063 | 59,836 | - | 65,899 |
| State aid | 170,256 | 4,032 | - | 174,288 |
| Federal | 801,186 | - | - | 801,186 |
| Other | 417,049 | - | - | 417,049 |
| Due from other funds | 123,757 | 62,440 | - | 186,197 |
| Prepaid expenses | 59,131 | - | - | 59,131 |
| Inventories | 36,090 | - | - | 36,090 |
| Total assets | \$ 7,110,539 | \$ 126,308 | \$ - | \$ 7,236,847 |

See Notes to Financial Statements.

Exhibit C

| | General | Special Revenue | Capital Projects | Total |
|--|---------------------|----------------------------|-----------------------------|---------------------|
| Liabilities and Fund Balances | | | | |
| Accounts payable | \$ 972,993 | \$ 194 | \$ - | \$ 973,187 |
| Advances from grantors | - | 6,978 | - | 6,978 |
| Accrued payroll | 2,275,215 | 67,219 | - | 2,342,434 |
| Accrued compensated absences | 128,234 | - | - | 128,234 |
| Due to other funds | 62,440 | 51,917 | - | 114,357 |
| Deposits held in custody for others | 75,335 | - | - | 75,335 |
| Total liabilities | 3,514,217 | 126,308 | - | 3,640,525 |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventories and prepaid expenses | 95,221 | - | - | 95,221 |
| Restricted: | | | | |
| Categorical aid carryover | 302,383 | - | - | 302,383 |
| Assigned: | | | | |
| Assigned for subsequent year's expenditures | 5,446 | - | - | 5,446 |
| Unassigned | 3,193,272 | - | - | 3,193,272 |
| Total fund balances | 3,596,322 | - | - | 3,596,322 |
| Total liabilities and fund balances | \$ 7,110,539 | \$ 126,308 | \$ - | \$ 7,236,847 |

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total governmental fund balances (page 15) \$ 3,596,322

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$5,115,849 and the accumulated depreciation is \$3,498,954.

1,616,895

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows.

| | | |
|--------------------------------|--------------------|---------|
| Deferred outflows of resources | \$ 2,020,567 | |
| Deferred inflows of resources | <u>(1,392,426)</u> | 628,141 |

Long-term liabilities, including other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(13,255,812)

Net position of governmental activities (page 13) \$ (7,414,454)

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

Year Ended June 30, 2016

| | General | Special Revenue | Capital Projects | Total |
|--|-------------------|----------------------------|-----------------------------|-------------------|
| Revenues: | | | | |
| Local sources | \$ 9,598,707 | \$ 88,396 | \$ - | \$ 9,687,103 |
| State sources | 9,772,007 | 493,225 | - | 10,265,232 |
| Federal sources | 10,482,374 | - | - | 10,482,374 |
| Total revenues | 29,853,088 | 581,621 | - | 30,434,709 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 2,321,672 | 565,031 | - | 2,886,703 |
| Student support services | 13,817,982 | - | - | 13,817,982 |
| Instructional staff support services | 5,397,273 | 2,769 | - | 5,400,042 |
| General administration | 2,970,500 | 10,037 | - | 2,980,537 |
| Business administration | 639,021 | - | - | 639,021 |
| Plant operations and maintenance | 854,441 | 3,784 | - | 858,225 |
| Central and other support services | 1,601,255 | - | - | 1,601,255 |
| Community services | 74,221 | - | - | 74,221 |
| Facilities acquisition and construction | - | - | 53,835 | 53,835 |
| Pass through to LEAs | 1,842,926 | - | - | 1,842,926 |
| Total expenditures | 29,519,291 | 581,621 | 53,835 | 30,154,747 |
| Excess (deficiency) of revenues over (under) expenditures | 333,797 | - | (53,835) | 279,962 |
| Other Financing Sources (Uses): | | | | |
| Sale of building | 313,240 | - | - | 313,240 |
| Transfers in | - | - | 53,835 | 53,835 |
| Transfers out | (53,835) | - | - | (53,835) |
| Total other financing sources | 259,405 | - | 53,835 | 313,240 |
| Change in fund balances | 593,202 | - | - | 593,202 |
| Fund balance, beginning of year | 3,003,120 | - | - | 3,003,120 |
| Fund balance, end of year | \$ 3,596,322 | \$ - | \$ - | \$ 3,596,322 |

See Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Change in fund balances - Total governmental funds (page 17) \$ 593,202

*Amounts reported for governmental activities in the Statement
of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Depreciation expense exceeded capital outlay in the current year as follows:

| | | |
|---------------------------------|------------|-----------|
| Expenditures for capital assets | \$ 292,100 | |
| Depreciation expense | (494,000) | (201,900) |
| | | |

In the Statement of Activities, only the gain or loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold net of depreciation. (157,108)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|-------------------------------|----------|---------|
| Pension expense | 577,930 | |
| Other postemployment benefits | (49,000) | 528,930 |
| | | |

Change in net position of governmental activities (page 14) \$ 763,124

See Notes to Financial Statements.

GREEN HILLS AEA

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Green Hills AEA (the Agency) is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 51 school districts and private schools in a 17-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Agency's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management that can be removed or modified.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental funds:

- The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.
- The Special Revenue Fund includes the Special Education Instruction Fund and the Juvenile Home Fund. These funds are used to account for programs where the Agency employs teachers to provide instruction to special education students and juvenile home program students. The actual costs of providing instructional services to the pupils are reimbursed by the State of Iowa for the juvenile home program and are billed to the individual school districts for special education instruction.
- The Capital Projects Fund is used to account for the capital projects activity of the Agency. The expenditures incurred within this fund will be paid primarily from general fund balances.

The Agency also serves as custodian of certain funds on behalf of other organizations. Such amounts are maintained in fiduciary funds which, because they are not direct assets or liabilities of the Agency, are not reported in the accompanying financial statements.

C. Measurement Focus and Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year-end.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (continued):

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current year are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balance and then from, less-restrictive classifications – committed, assigned, and then unassigned fund balances.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

Cash and Pooled Investments – Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust (ISJIT) which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Inventories – Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| Land | \$ 5,000 |
| Buildings | 20,000 |
| Improvements other than buildings | 20,000 |
| Furniture and equipment | 5,000 |
| Vehicles | 5,000 |
| Media collection | 5,000 |

Additionally, the entire media collection will be considered in aggregate.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets (continued): Capital assets of the agency are depreciated using the straight-line method of depreciation over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 50 |
| Improvements other than buildings | 20-50 |
| Furniture and equipment | 5 |
| Vehicles | 5 |
| Media collection | 5 |

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date, but before the end of the Agency's reporting period.

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deposits Held in Custody for Others – Deposits held in custody for others represents an excess of cash advances by the funding sources over accrued expenditures at year-end.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the government activities will be paid primarily by the General Fund. Agency policy requires that the carryover of accrued vacation leave must be used by June 30 of the ensuing fiscal year, and has therefore recorded the entire amount as a current liability in the Government-wide financial statements.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future years(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting:

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Subsequent Events:

Subsequent events have been evaluated through November 11, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had investments in the Iowa Schools Joint Investment Trust (ISJIT) Government Obligation Portfolio which are valued at an amortized cost of \$82,596 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the ISJIT investments. The investment in the ISJIT were rated AAAM by Standard & Poor's Financial Services.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest Rate Risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

NOTE 3. ANTICIPATORY WARRANT PURCHASE AGREEMENT

The Agency entered into an anticipatory warrant purchase agreement with American National Bank. The agreement is designed to provide funds to the Agency during periods of cash deficits, the maximum borrowing under the agreement is \$500,000. Terms of the agreement include interest to be paid monthly at the prime rate as published in the Wall Street Journal (3.50% at June 30, 2016), collateral includes all controlled funding amounts paid to the Agency in an amount not greater than the outstanding borrowing and maturity at June 30, 2016.

A summary of the anticipatory warrant purchase agreement for the year ended June 30, 2016 is as follows:

| Balance Beginning of Year | Advances | Repayments | Balance End of Year |
|--|-----------------|-------------------|------------------------------------|
| \$ - | \$ - | \$ - | \$ - |

During the year ended June 30, 2016 the Agency paid \$0 interest on the agreement.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|--|---------------------------------|--------------|------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 20,394 | \$ - | \$ - | \$ 20,394 |
| Total capital assets not being depreciated | 20,394 | - | - | 20,394 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 55,242 | 53,385 | - | 108,627 |
| Buildings and improvements | 1,682,831 | - | 222,521 | 1,460,310 |
| Furniture and equipment | 577,767 | 100,112 | 74,197 | 603,682 |
| Media collection | 2,748,535 | 116,703 | 104,036 | 2,761,202 |
| Vehicles | 156,121 | 21,900 | 16,387 | 161,634 |
| Total capital assets being depreciated | 5,220,496 | 292,100 | 417,141 | 5,095,455 |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | 15,490 | 4,877 | - | 20,367 |
| Buildings and improvements | 1,038,778 | 39,057 | 75,351 | 1,002,484 |
| Furniture and equipment | 354,598 | 94,166 | 64,259 | 384,505 |
| Media collection | 1,742,702 | 332,208 | 104,036 | 1,970,874 |
| Vehicles | 113,419 | 23,692 | 16,387 | 120,724 |
| Total accumulated depreciation | 3,264,987 | 494,000 | 260,033 | 3,498,954 |
| Total capital assets being depreciated, net | 1,955,509 | (201,900) | 157,108 | 1,596,501 |
| Governmental activities - capital assets, net | \$ 1,975,903 | \$ (201,900) | \$ 157,108 | \$ 1,616,895 |

Depreciation expense was charged to functions of the Agency as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| Student support services | \$ 360,025 |
| Instructional staff support services | 5,948 |
| General administration | 14,905 |
| Business administration | 21,014 |
| Plant operations and maintenance | 71,631 |
| Central and other support services | 20,477 |
| Total depreciation expense - governmental activities | <u>\$ 494,000</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year |
|-----------------------------|--|---------------------|-------------------|------------------------------------|
| Net pension liability | \$ 10,177,849 | \$ 1,920,963 | \$ - | \$ 12,098,812 |
| Net OPEB liability | 1,108,000 | 49,000 | - | 1,157,000 |
| | <u>\$ 11,285,849</u> | <u>\$ 1,969,963</u> | <u>\$ -</u> | <u>13,255,812</u> |
| Portion due within one year | | | | <u>-</u> |
| Portion due after one year | | | | <u>\$ 13,255,812</u> |

NOTE 6. OPERATING LEASES

The Agency has leased various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2018 and June 30, 2022. Certain leases are renewable for additional periods and most are non-cancelable. Certain leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2016.

| Year Ending June 30, | |
|-----------------------------|-------------------|
| 2017 | \$ 148,785 |
| 2018 | 148,785 |
| 2019 | 93,694 |
| 2020 | 19,800 |
| 2021 | 19,800 |
| Thereafter | <u>19,800</u> |
| Total | <u>\$ 450,664</u> |

The total rental expenditures for the year ended June 30, 2016 for all operating leases, except those with terms of a month or less that were not renewed, were \$149,080.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN

Plan Description: IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits: A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 20, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits: A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (Continued)

Contributions: Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Agency's contributions to IPERS for the year ended June 30, 2016 totaled \$1,504,658.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the Agency reported a liability of \$12,098,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Agency's collective proportion was 0.244891%, which was a decrease of 0.011743% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agency recognized pension expense of \$577,930. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 182,798 | \$ - |
| Changes of assumptions | 333,111 | - |
| Net difference between projected and actual earnings on IPERS investments | - | 1,006,938 |
| Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions | - | 385,488 |
| Agency contributions subsequent to the measurement date | 1,504,658 | - |
| | <u>\$ 2,020,567</u> | <u>\$ 1,392,426</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (Continued)

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued): \$1,504,658 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Total |
|--------------------------------|---------------------|
| 2017 | \$ (429,271) |
| 2018 | (429,271) |
| 2019 | (429,271) |
| 2020 | 426,494 |
| 2021 | (15,198) |
| | <u>\$ (876,517)</u> |

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-------------------------------------|---|
| Rate of inflation | |
| (effective June 30, 2014) | 3.00% per annum |
| Rates of salary increase | 4.00 to 17.00%, average, including inflation. |
| (effective June 30, 2010) | Rates vary by membership group. |
| Long-term investment rate of return | 7.50%, compounded annually, net of |
| (effective June 30, 1996) | investment expense, including inflation |
| Wage growth | 4.00% per annum, based on 3.00% |
| (effective June 30, 1990) | inflation and 1.00% real wage inflation. |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (Continued)

Actuarial Assumptions (continued): The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Asset Allocation | Long-term Expected Real Rate of Return |
|------------------------|-------------------------|---|
| Core plus fixed income | 28 % | 2.04% |
| Domestic equity | 24 | 6.29 |
| International equity | 16 | 6.75 |
| Private equity / debt | 11 | 11.32 |
| Real estate | 8 | 3.48 |
| Credit opportunities | 5 | 3.63 |
| U. S. TIPS | 5 | 1.91 |
| Other real assets | 2 | 6.24 |
| Cash | 1 | (0.71) |
| Total | 100 % | |

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------------------|-------------------------------------|-----------------------------------|
| Agency's proportionate share of the net pension liability | \$ 21,182,843 | \$ 12,098,812 | \$ 4,431,238 |

IPERS Fiduciary Net Position: Detailed information about the IPERS's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org

Payables to IPERS: At June 30, 2016, the Agency reported payables to IPERS of \$0 for legally required Agency contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The Agency operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 279 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy: The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

| | |
|--|---------------------|
| Annual required contribution | \$ 193,000 |
| Interest on net OPEB obligation | 43,000 |
| Adjustment to annual required contribution | <u>(37,000)</u> |
| Annual OPEB cost | 199,000 |
| Contributions made | <u>(150,000)</u> |
| Increase in net OPEB obligation | 49,000 |
| Net OPEB obligation beginning of year | <u>1,108,000</u> |
| Net OPEB obligation end of year | <u>\$ 1,157,000</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the Agency contributed \$3,856,830 to the medical plan. Plan members eligible for benefits contributed \$338,693 or 8.8% of the premium cost.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (continued): The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|-----------------------------|---|--------------------------------|
| June 30, 2014 | \$ 241,000 | 46.47% | \$ 1,009,820 |
| June 30, 2015 | 199,000 | 50.67 | 1,108,000 |
| June 30, 2016 | 199,000 | 75.38 | 1,157,000 |

Funded Status and Funding Progress: As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1.706 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.706 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16.597 million, and the ratio of the UAAL to covered payroll was 10.28%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.25% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate. An inflation rate of 3.5% is assumed for the purpose of this computation.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions (continued): Mortality rates are from the RP 2014 projected to 2015 using Scale MP-14 Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$1,030 per month for retirees less than age 65. The Agency does not have any retirees on the medical plan who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 9. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10. DEFICIT BALANCE

The Agency had a governmental activities deficit net position balance of \$7,414,454 at June 30, 2016, primarily due to the net pension liability.

GREEN HILLS AEA

REQUIRED SUPPLEMENTARY INFORMATION

GREEN HILLS AEA

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL -**

ALL GOVERNMENTAL FUNDS

Required Supplementary Information

Year Ended June 30, 2016

| | Total Governmental Fund Types | | Budget | | Final to Actual Variance |
|---|--|-------------------|-------------------|----|---|
| | Actual | Original | Final | | |
| Revenues: | | | | | |
| Local sources | \$ 9,687,103 | \$ 9,859,905 | \$ 10,866,442 | \$ | (1,179,339) |
| State sources | 10,265,232 | 11,453,001 | 10,277,717 | | (12,485) |
| Federal sources: | 10,482,374 | 10,954,930 | 11,079,866 | | (597,492) |
| Total revenues | 30,434,709 | 32,267,836 | 32,224,025 | | (1,789,316) |
| Expenditures/Expenses: | | | | | |
| Current: | | | | | |
| Instruction | 2,886,703 | 3,285,710 | 3,263,759 | | 377,056 |
| Student support services | 13,817,982 | 14,121,228 | 14,131,612 | | 313,630 |
| Instructional staff support services | 5,400,042 | 6,314,141 | 6,157,238 | | 757,196 |
| General administration | 2,980,537 | 3,395,149 | 3,344,471 | | 363,934 |
| Business administration | 639,021 | 732,156 | 719,473 | | 80,452 |
| Plant operations and maintenance | 858,225 | 937,345 | 904,864 | | 46,639 |
| Central and other support services | 1,601,255 | 1,703,513 | 1,685,284 | | 84,029 |
| Community Services | 74,221 | 115,304 | 106,386 | | 32,165 |
| Pass through to LEAs | 1,842,926 | 1,875,304 | 1,842,930 | | 4 |
| Facilities acquisition and construction | 53,835 | - | 145,000 | | 91,165 |
| Total expenditures/ expenses | 30,154,747 | 32,479,850 | 32,301,017 | | 2,146,270 |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 279,962 | (212,014) | (76,992) | | 356,954 |
| Other Financing Sources/Uses: | | | | | |
| Sale of building | 313,240 | - | - | | 313,240 |
| Transfers in | 53,835 | - | 145,000 | | (91,165) |
| Transfers out | (53,835) | - | (145,000) | | 91,165 |
| Total other financing sources | 313,240 | - | - | | 313,240 |
| Excess (deficiency) of revenues and other financing sources/uses over (under) expenditures | 593,202 | (212,014) | (76,992) | | 670,194 |
| Balance, beginning of year | 3,003,120 | 2,290,130 | 3,003,120 | | - |
| Balance, end of year | \$ 3,596,322 | \$ 2,078,116 | \$ 2,926,128 | \$ | 670,194 |

See accompanying Independent Auditor's Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles for all funds except Agency Funds. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2016, the Agency's expenditures/expenses did not exceed the approved budget.

GREEN HILLS AEA

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)**

Required Supplementary Information

| | 2016 | 2015 |
|---|------------------|-------------|
| Agency's proportion of the net pension liability | 0.244891% | 0.256634% |
| Agency's proportionate share of the net pension liability | \$ 12,099 | \$ 10,178 |
| Agency's covered-employee payroll | 16,777 | 16,793 |
| Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 72.12% | 60.61% |
| IPERS' net position as a percentage of the total pension liability | 85.19% | 87.61% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying Independent Auditor's Report.

GREEN HILLS AEA

SCHEDULE OF AGENCY CONTRIBUTIONS

**Iowa Public Employees' Retirement System
Last Six Fiscal Years
(In Thousands)**

Required Supplementary Information

| | 2016 | 2015 |
|--|------------------|------------------|
| Statutorily required contribution | \$ 1,505 | \$ 1,498 |
| Contributions in relation to the statutorily required contribution | (1,505) | (1,498) |
| Contribution deficiency (excess) | \$ - | \$ - |
| Agency's covered-employee payroll | \$ 16,845 | \$ 16,777 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% |

See accompanying Independent Auditor's Report.

| 2014 | 2013 | 2012 | 2011 |
|-----------|-----------|-----------|-----------|
| \$ 1,500 | \$ 1,416 | \$ 1,286 | \$ 1,149 |
| (1,500) | (1,416) | (1,286) | (1,149) |
| \$ - | \$ - | \$ - | \$ - |
| \$ 16,793 | \$ 16,329 | \$ 15,933 | \$ 16,537 |
| 8.93% | 8.67% | 8.07% | 6.95% |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008, transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

GREEN HILLS AEA**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (In Thousands)****Required Supplementary Information**

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|------------------------------------|---|--|--|--|-----------------------------------|------------------------------------|--|
| 2011 | 7/1/2010 | \$ - | \$ 1,932 | \$ 1,932 | 0.00% | \$ 16,497 | 11.71% |
| 2012 | 7/1/2010 | - | 1,932 | 1,932 | 0.00 | 15,787 | 12.24 |
| 2013 | 7/1/2012 | - | 2,015 | 2,015 | 0.00 | 16,329 | 12.34 |
| 2014 | 7/1/2012 | - | 2,015 | 2,015 | 0.00 | 16,606 | 12.13 |
| 2015 | 7/1/2014 | - | 1,706 | 1,706 | 0.00 | 16,521 | 10.33 |
| 2016 | 7/1/2014 | - | 1,706 | 1,706 | 0.00 | 16,597 | 10.28 |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying Independent Auditor's Report.

GREEN HILLS AEA

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 Year Ended June 30, 2016**

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|-------------------------------------|---------------------------------|-------------------|-------------------|---------------------------|
| Assets | | | | |
| Cash | \$ 11,962 | \$ 42,322 | \$ 44,461 | \$ 9,823 |
| Intergovernmental receivable | - | 71,840 | - | 71,840 |
| Total assets | \$ 11,962 | \$ 114,162 | \$ 44,461 | \$ 81,663 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 71,840 | \$ - | \$ 71,840 |
| Deposits held in custody for others | 11,962 | 192,501 | 194,640 | 9,823 |
| Total liabilities | \$ 11,962 | \$ 264,341 | \$ 194,640 | \$ 81,663 |

See accompanying Independent Auditor's Report.

SCHEDULE OF DEPARTMENT OF HUMAN SERVICES GRANTS
Year Ended June 30, 2016

School Based Supervision Programs:

Revenue:

| | | |
|-------------------------|------------|------------|
| Juvenile Court Services | \$ 390,000 | |
| Local School Districts | 528,182 | |
| Total revenue | | \$ 918,182 |

Expenditures:

| | | |
|---------------------------|---------|---------|
| Direct expenditures | 894,217 | |
| Indirect cost | 23,965 | |
| Total expenditures | | 918,182 |

\$ -

See accompanying Independent Auditor's Report.

GREEN HILLS AEA

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION - ALL GOVERNMENTAL FUNDS
For the Last Six Years**

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Revenues: | | |
| Local | \$ 9,687,103 | \$ 9,505,289 |
| State | 10,265,232 | 10,237,954 |
| Federal | 10,482,374 | 10,790,034 |
| Total revenue | \$ 30,434,709 | \$ 30,533,277 |
| Expenditures: | | |
| Current: | | |
| Instruction | \$ 2,886,703 | \$ 2,877,174 |
| Student support services | 13,817,982 | 13,719,015 |
| Instructional staff support services | 5,400,042 | 5,598,298 |
| General administration | 2,980,537 | 2,912,379 |
| Business administration | 639,021 | 629,899 |
| Plant operations and maintenance | 858,225 | 938,155 |
| Central and other support services | 1,601,255 | 1,752,865 |
| Community services | 74,221 | 104,759 |
| Facilities acquisition and construction | 53,835 | 177,529 |
| Pass through to LEAs | 1,842,926 | 1,875,304 |
| Total expenditures | \$ 30,154,747 | \$ 30,585,377 |

See accompanying Independent Auditor's Report.

Schedule 3

| 2014 | 2013 | 2012 | 2011 |
|---------------|---------------|---------------|---------------|
| \$ 9,748,297 | \$ 9,653,167 | \$ 9,440,684 | \$ 9,723,204 |
| 9,812,930 | 9,244,591 | 9,219,881 | 11,174,471 |
| 10,803,358 | 11,244,554 | 11,465,203 | 12,644,302 |
| \$ 30,364,585 | \$ 30,142,312 | \$ 30,125,768 | \$ 33,541,977 |
| \$ 2,855,044 | \$ 2,792,646 | \$ 2,887,658 | \$ 3,184,684 |
| 13,678,336 | 13,652,914 | 13,305,360 | 13,067,477 |
| 6,185,929 | 6,284,414 | 6,474,723 | 7,110,133 |
| 3,103,617 | 3,172,193 | 2,920,939 | 3,114,317 |
| 641,967 | 737,183 | 639,906 | 607,828 |
| 903,435 | 884,506 | 1,020,787 | 922,693 |
| 1,654,653 | 1,423,182 | 1,582,118 | 1,820,340 |
| 100,587 | 98,108 | 92,307 | 148,338 |
| 304,937 | 1,154,126 | 20,000 | - |
| 1,922,641 | 2,135,749 | 2,113,720 | 2,170,808 |
| \$ 31,351,146 | \$ 32,335,021 | \$ 31,057,518 | \$ 32,146,618 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-through Grantor's Number | Expenditures | |
|---|------------------------------------|--|---------------------|---|
| U. S. Department of Education: | | | | |
| Passed-through Iowa Department of Education: | | | | |
| Education of Handicapped Act (EHA) Part B: 94-142: | | | | |
| Special Education - Grants to States (IDEA, Part 3) - | | | | |
| Early Childhood Education for the Handicapped | 84.027 | 151613 | \$ 7,770,793 | * |
| Early Childhood Education LEA Flow Through | 84.027 | 6KB2-1 | 1,842,926 | * |
| Special Education - Preschool Grants | | | | |
| (IDEA Preschool) - Section 619, Ages 3-5 | 84.173 | 15619-13 | 347,379 | * |
| IQPPS Support for Continuous Improvement Project | 84.173A | Q16-013 | 29,986 | * |
| Special Education - Grants for Infants and Families | | | | |
| with Disabilities - 94-142 Part C: | | | | |
| IDEA, Part C, Infants and Toddlers | 84.181 | 5KC3-13 | 232,231 | |
| Special Education - Grants to States (IDEA, Part 3) - | | | | |
| Miscellaneous 94-142: | | | | |
| Parent Educator Project | 84.027 | 5K74-13 | 86,259 | * |
| SLP Leadership Task Force | 84.027A | 048515 | 3,443 | * |
| Physical Therapy Leadership | 84.027 | 007216 | 19,612 | * |
| Occupational Therapy Leadership Group | 84.027 | 046916 | 880 | * |
| Iowa Core Significant Disabilities | 84.027 | 047115 | 2,340 | * |
| SPED OSEP Leadership Conference | 84.027 | 001016 | 966 | * |
| Assessment Training Development | 84.027 | 050216 | 1,000 | * |
| Specially Designed Instruction | 84.323 | 013416 | 1,807 | |
| Perkins National Policy Seminar | 84.048A | 029616 | 4,552 | |
| Title III ELL/LEP | 84.365 | 16ELA-08 | 63,014 | |
| Teacher Quality Partnership | 84.405 | 046814 | 26,827 | |
| Received from the University of Northern Iowa: | | | | |
| Special Education Math Professional Development | 84.367B | S6071A | 13,320 | |
| Received from LEA: | | | | |
| Title 1 Funds for Quakerdale Shelter Program | 84.010 | | 3,472 | |
| Total U. S. Department of Education | | | <u>10,450,807</u> | |

(Continued on next page)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-through Grantor's Number | Expenditures |
|--|------------------------------------|--|----------------------|
| U. S. Department of Health and Human Services: | | | |
| Passed-Through Iowa Department of Human Services: | | | |
| Training Assistance for Needy Families | 93.558 | | \$ 410 |
| Medical Assistance Program: | | | |
| Title 19 Medicaid Reimbursement | 93.778 | | 2,619 |
| Part C Infants and Toddlers Reimbursement | 93.778 | | 28,538 |
| Total U. S. Department of Health and Human Services | | | <u>31,567</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 10,482,374</u> |

* Total major programs expenditures, comprised of the special education cluster, is \$10,105,584.

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Green Hills AEA under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Green Hills AEA, it is not intended to and does not present the financial position, changes in financial position or cash flows of Green Hills AEA.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Green Hills AEA has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying Independent Auditor's Report.

GREEN HILLS AEA

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Green Hills AEA
Council Bluffs, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Green Hills AEA as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Green Hills AEA's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Green Hills AEA's internal control. Accordingly, we do not express an opinion on the effectiveness of Green Hills AEA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green Hills AEA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Green Hills AEA's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Green Hills AEA. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnur & Company, LLP

Fort Dodge, Iowa
November 11, 2016

GREEN HILLS AEA

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors of
Green Hills AEA
Council Bluffs, Iowa

Report on Compliance for Each Major Federal Program

We have audited Green Hills AEA's compliance with the types of compliance requirements described in U. S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Green Hills AEA's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Green Hills AEA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U. S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Green Hills AEA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Green Hills AEA's compliance.

Opinion on Each Major Federal Program

In our opinion, Green Hills AEA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of Green Hills AEA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Green Hills AEA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Green Hills AEA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schnur & Company, LLP

Fort Dodge, Iowa
November 11, 2016

GREEN HILLS AEA

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were disclosed by the audit.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major programs were:
 - Clustered programs:
 - ◆ Special Education Cluster (IDEA):
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.173 – Special Education – Preschool Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Green Hills AEA qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

None.

Instances of Non-compliance:

None.

GREEN HILLS AEA

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Part III: Findings and Questioned Costs For Federal Awards:

Internal Control Deficiencies:

None.

Instances of Non-compliance:

None.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-16 Certified Budget: Expenditures during the year ended June 30, 2016 did not exceed the amounts budgeted.
- IV-B-16 Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-16 Travel Expense: No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-D-16 Business Transactions: No business transactions between the Agency and Agency officials or employees were noted.
- IV-E-16 Bond Coverage: Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-16 Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-16 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- IV-H-16 Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-16 Categorical Funding: No instances were noted of categorical funding used to supplant rather than supplement other funds.